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RV BUSINESS

JULY 20, 1990

THE RACE TO DEBUT NEW MODELS: A recent RVDA newsletter has revived the debate over new model-year introductions during the peak spring and summer sales seasons.

Early Model Debuts Spark Debate

The long-running industry battle over when U.S. RV manufacturers should release new model-year equipment has heated up once more, with this year's first salvo being fired by the president of RVDA, Randy Thompson.

The controversy centers around the fact that, while most manufacturers used to wait until at least August to unveil new units, RV makers now release the bulk of their new lines any time between early spring and the National RV Trade Show in December, with the majority of introductions made in June, July and August. Dealers have said that it is difficult for them to draw down inventories and make new-model purchases when so many new-model introductions are made during the spring and summer, the peak selling seasons.

RVDA President Thompson, who is also owner of Crystal Valley RV, Crystal Lake, Ill., revived

continued on page 12

Elkhart Tech School Delayed

The planned opening of the Elkhart, Ind., site of RVIA's National RV Technical Institute has been officially delayed from August of this year to January 1991, and even that start-up date remains in doubt because of the many difficulties in obtaining adequate funding from Indiana state officials.

Elkhart members of RVIA's NRVTI Advisory Board voted on June 12 to slate the program debut for next January, provided that state funding is forthcoming for classroom improvement and for a full-time teacher

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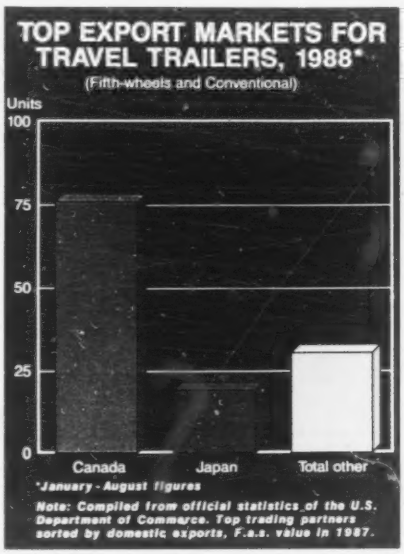
RV BUSINESS

VOLUME 41, NUMBER 8 | JULY 20, 1990 | TWO DOLLARS



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Although the total overseas market for American-made RVs is generally estimated to be small, a growing number of manufacturers are attempting to win a niche in Europe and Japan.

Export Opportunities ____ 36

Changing political and economic realities in Japan, in Western and Eastern Europe, and across the border in Canada may mean greater opportunities for foreign sales of U.S. products. Here is a quick overview of key export markets by RV type and of domestic efforts to boost overseas opportunities for RV manufacturers.

South Bend Show Preview ____ 39

"Gateway to Opportunity" is the theme of this year's 36th Annual Midwest Manufactured Housing and RV Show in South Bend, Ind. This quick preview of show-going opportunities includes a calendar of events and exhibitor lists.

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STAGNATION OR STABILITY? IT'S A FRAME OF MIND

MORTON J. MARCUS

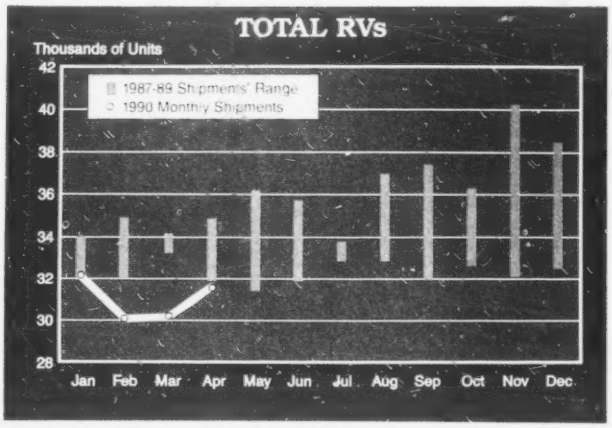


Figure 1

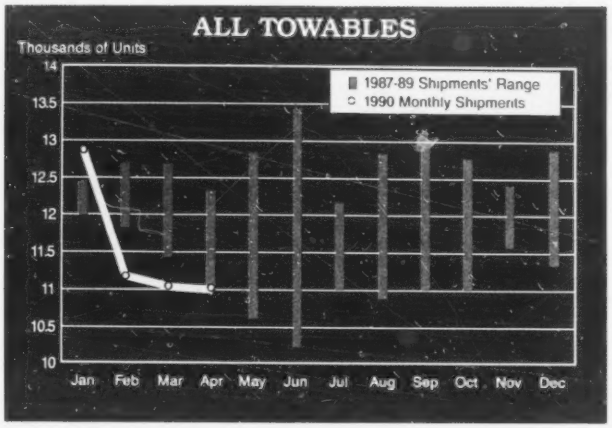


Figure 2

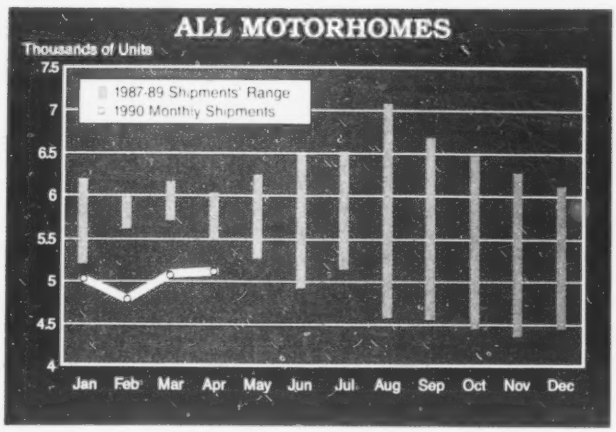


Figure 3

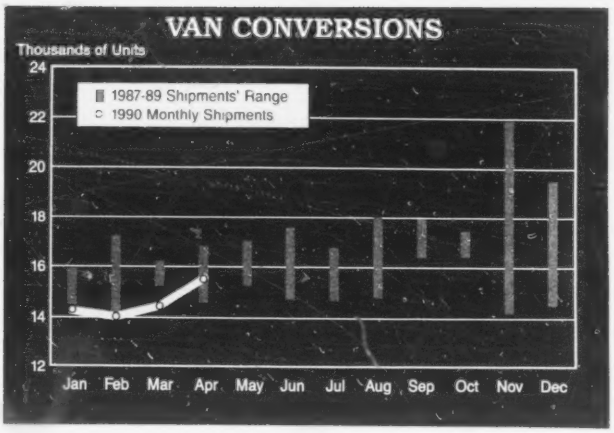


Figure 4

April 1990 has become memories of rather routine events: Millions of Americans prepared income-tax returns and settled accounts with the Internal Revenue Service. Baseball players and baseball-team owners delayed the start of the season so that they could determine who would have the honor of increased tax payments next year and in the years to follow. Basketball teams ended their season and commenced lingering play-off rounds.

These annual rites hardly stimulated any great excitement; afterall, we usually give our most serious attention to that which is different from our recent experience. That's why this column generally focuses on the *change* in RV shipments.

Which is why this April was remarkable from one point of view: *Nothing* happened.

After adjusting RVIA data for normal seasonal variations, total RV shipments in April were up by only 1,400 units from March levels. At just under 32,000 units, total shipments were at the lower edge of the April range shown in *Figure 1.*

Towables fell just within the three-year range, while motorhomes continued outside and below the range of the previous three years. *(See Figures 2 and Figure 3, respectively).* The trend for van conversions differed in that these units were well within the range of recent experience for the first time this year. *(See Figure 4.)*

GRAPHICS: CUSTOM COLOR VISUALS

If we delete van conversions from consideration for a moment, then we can see that April was really a repetition of March – with a slight rearrangement of the numbers. Consider the picture painted by *Figure 6*: Motorhomes were up 20 units; towables were down 20 units. That was not the story of one firm but of an entire industry.

The way in which motorhome gains were offset by towable losses was also illustrated by the fact that, while motorhomes had their best month since last July in April, towables experienced their worst month since last August.

The entire 1,400-unit increase in total shipments in April was accounted for by van conversions. Not only have van conversions become the largest element of RV shipments, but they are the biggest mover. With 47% of the market *(see Figure 5)*, they have accounted for nearly two-thirds of the change experienced in 1990 to date.

The good news in the van-conversion sector is that, at nearly 15,900 units, April was the strongest month yet in 1990. For the first time this year, shipments were above those of the same month in 1989.

PERCENT MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1990	1989	Change
TOTAL RVs	100.00	100.00	0.00
Travel Trailers:	25.20	23.23	1.97
Conventional	14.71	13.69	1.01
Park Models	1.95	1.96	- 0.01
Fifth-wheels	8.55	7.57	0.97
Folding Camping Trailers	9.13	8.87	0.26
Truck Campers	2.59	2.47	0.12
TOTAL TOWABLES	36.92	34.57	2.35
Motorhomes:			
Class A	9.07	9.65	- 0.58
Class B Van Campers	1.60	1.20	0.40
Class C:	5.36	6.25	- 0.90
Minis	4.12	5.20	- 1.08
Low Profiles	0.26	0.46	- 0.20
Micro-minis	0.98	0.60	0.38
TOTAL MOTORHOMES	16.02	17.10	- 1.08
Multiuse Van Conversions	47.06	48.32	- 1.27

Percentages may not add to total because of rounding.

Figure 5

If we delete van conversions from consideration for a moment, then we can see that April was really a repetition of March — with a slight rearrangement of the numbers.

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

Type of Units	Apr '90	Change From Mar '90 Number	%	Year-to-Date 1990	1989	Change Number	%
TOTAL RVs	31,980	1,400	4.6	124,890	134,060	- 9,170	- 6.8
Travel Trailers:	7,740	- 20	- 0.3	31,470	31,140	30	1.1
Conventional	4,550	90	1.9	18,370	18,360	10	0.0
Park Models	640	- 10	- 1.3	2,430	2,830	- 190	- 7.4
Fifth-wheels	2,540	- 100	- 3.9	10,670	10,150	520	5.1
Folding Camping Trailers	2,520	- 10	- 0.3	11,400	11,890	- 490	- 4.1
Truck Campers	760	10	1.8	3,240	3,310	- 70	- 2.2
TOTAL TOWABLES	11,010	- 20	- 0.2	46,110	46,350	- 230	- 0.5
Motorhomes:							
Class A	2,970	80	2.8	11,320	12,940	- 1,610	- 12.5
Class B Van Campers	500	- 90	- 14.7	2,000	1,610	380	23.9
Class C:	1,830	20	1.4	6,690	8,380	- 1,690	- 20.2
Minis	1,320	40	2.8	5,140	6,970	- 1,820	- 26.2
Low Profiles	100	100	n/a	320	610	- 290	- 47.2
Micro-minis	200	- 120	- 36.4	1,220	800	420	52.2
TOTAL MOTORHOMES	5,100	20	0.4	20,010	22,930	- 2,920	- 12.7
Multiuse Van Conversions	15,870	1,400	9.7	58,770	64,780	- 6,010	- 9.3

Note: Data rounded to nearest 10 units.

Figure 6

By mid-April, shipments were running 4.6% ahead of March, but 6.8% behind 1989. Year-to-date, shipments were down 9,170 units, or 6.8%.

A detailed look at towables and motorhomes shows the relatively flat market. *(See Figure 6.)* Most of the unit changes between April and March totaled less than 100 units. The percentage changes looked dramatic for low-volume models, but actual volume differences were minor.

How far behind 1989 was the industry as of April?

Some might look at *Figure 6* and see the difference between 1990 and the past year as highly significant.

After four months, a deficit of 2,900 units (almost 13%) in motorhomes and a 6,000-unit shortfall (9.3%) in van conversions could, in themselves, seem important. But placed in perspective, these year-to-date lags are much less formidable.

For the year-to-date, the difference between 1990 and 1989 equaled far less than even one month's production. What would it take to regain the shipment levels of 1989? April had 20 working days (if firms gave their workers Good Friday as a holiday). That is 160 working hours during which 31,980 units were shipped, or an output rate of about 200 units per hour. Hence, it would require just about one week (5.7 days) to make up the deficit of 9,170 units in total RV shipments for 1990.

To regain the 1989 shipments level for towables would take just over 3½ hours. Motorhomes could rebound to 1989 levels after 11.4 days of work. Van conversions would require 7.6 days of output to bring shipments back to their 1989 pace.

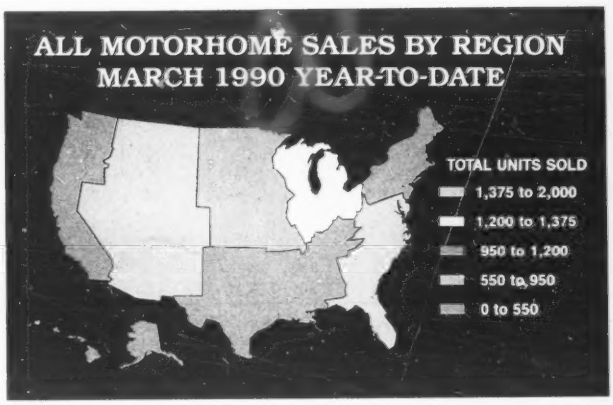
The point is that when change is seen in the perspective of total volume, it is far less dramatic. Too often, we focus on change alone without recognizing the magnitude of the base. The fact that the industry changed little in April is of less significance than the rate of output itself.

To sum up, the industry could regain its 1989 level of shipments by adding only 1,150 units per month (a 3.5% increase) to its April production rate for the remainder of 1990. That would result in monthly shipments averaging 33,130 units for the rest of this year – which was about what the industry was doing in March 1989. That certainly seems to be a modest and attainable objective. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RETAIL SALES LAGGED IN FIRST QUARTER OF '90

THOMAS WALWORTH



East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

First-quarter 1990 retail-sales numbers reveal that the RV-trailer market was down by 2.12% compared with the first three months of 1989, while the motorhome market lagged last year's first quarter by an even larger 10.6% margin. However, it must be noted that these retail comparisons do not include 1989 and 1990 figures from California since a legislative change in that state has restricted access to vehicle-registration data.

RV-trailer sales in March were down by 820 units, or 8.15%, from March 1989. The seven national regions are ranked in Figure 1 by the percent of change in trailer sales in March compared with the same month in 1989. The South Central region topped the rankings, with Alabama reporting the largest gain in that region. The East North Central states trailed the pack, and Indiana had the largest decline for the month.

Year-to-date, RV-trailer sales were down 2.12%, as noted above, which translates into a 417-unit shortfall compared with the first three months of 1989. Figure 2 shows the regional rankings based on the percentage change in trailer sales for the first quarter when compared with the same period last year. The South Central region again led all others, and Alabama had the largest gain for the year-to-date in that region. The Northeast region fell to last place, with Maine experiencing the largest decline among the Northeast states.

Meanwhile, the March motorhome market experienced a 13.6% drop, or a 532-unit decline from the sales level of March 1989. Figure 3 ranks the same seven regions by the percent of change in motorhome sales between March 1990 and the same month of last year. The South Central region was the leader in the motorhome market, with Oklahoma having the largest percentage gain for the month. In the bottom-ranked Northeast region, Rhode Island had the dubious honor of the largest decline.

RV TRAILERS, MAR. '90

Mar. '90 Rank	Region	% of Change From Mar. '89	Feb. '90 Rank
1	S. Central	20.1	1
2	Mountain	6.1	4
3	W.N. Central	3.4	3
4	S. Atlantic	3.1	7
5	Pacific	–20.4	2
6	Northeast	–25.9	6
7	E.N. Central	–26.3	5

Figure 1

RV TRAILERS, YEAR-TO-DATE

Mar. '90 Rank	Region	% of Change Year-to-Date	Feb. '90 Rank
1	S. Central	27.6	1
2	Pacific	4.8	2
3	Mountain	1.2	3
4	S. Atlantic	– .9	4
5	W.N. Central	– 3.0	7
6	E.N. Central	–16.7	6
7	Northeast	–18.3	5

Figure 2

MOTORHOMES, MAR. '90

Mar. '90 Rank	Region	% of Change From Mar. '89	Feb. '90 Rank
1	S. Central	16.3	2
2	S. Atlantic	8.1	6
3	Pacific	–17.7	1
4	E.N. Central	–23.1	3
5	W.N. Central	–24.9	4
6	Mountain	–26.7	5
7	Northeast	–28.1	7

Figure 3

MOTORHOMES, YEAR-TO-DATE

Mar. '90 Rank	Region	% of Change Year-to-Date	Feb. '90 Rank
1	S. Central	6.0	2
2	Pacific	2.4	1
3	S. Atlantic	– .6	3
4	Mountain	–15.9	4
5	W.N. Central	–16.4	5
6	Northeast	–25.5	7
7	E.N. Central	–28.8	6

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS

AT RETAIL *continued*

For the year-to-date, motorhome retail figures came in 10.6%, or 973 units, behind the first quarter of 1989. In Figure 4, regions are listed according to the percentage change in motorhome sales for the first three months of 1990 compared with the same period of 1989. The South Central region continued to hold the No. 1 spot, and Oklahoma recorded the largest year-to-date gain in motorhome sales among the states of that region. In the last-place East North Central region, Illinois recorded the largest decline.

As of March, both motorhome and RV-trailer numbers were trailing behind 1989 retail-activity levels, although the RV-trailer market was better than the motorhome market in the first quarter. Clearly, the South Central region was the "hottest" area in the country during the first three months of 1990. In that region, the long-depressed markets of Texas and Oklahoma appear to be heading back to the sales levels of past years. Hopefully, future months will see continued improvement. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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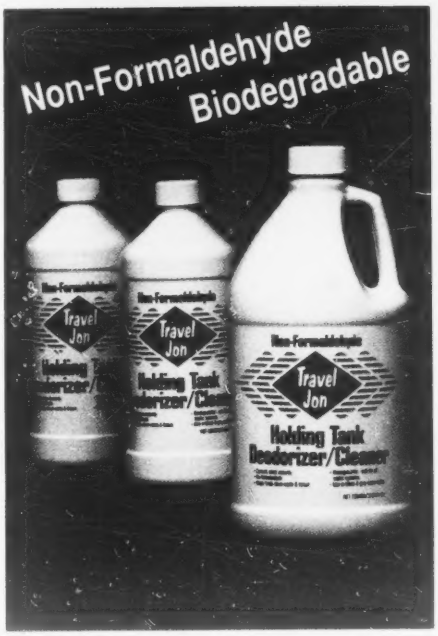

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FEATURE

EXPORT OPPORTUNITIES

BOB MENDEL

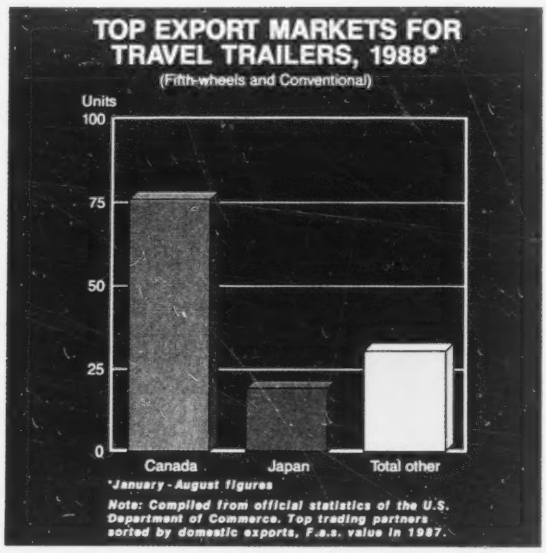

Figure 1

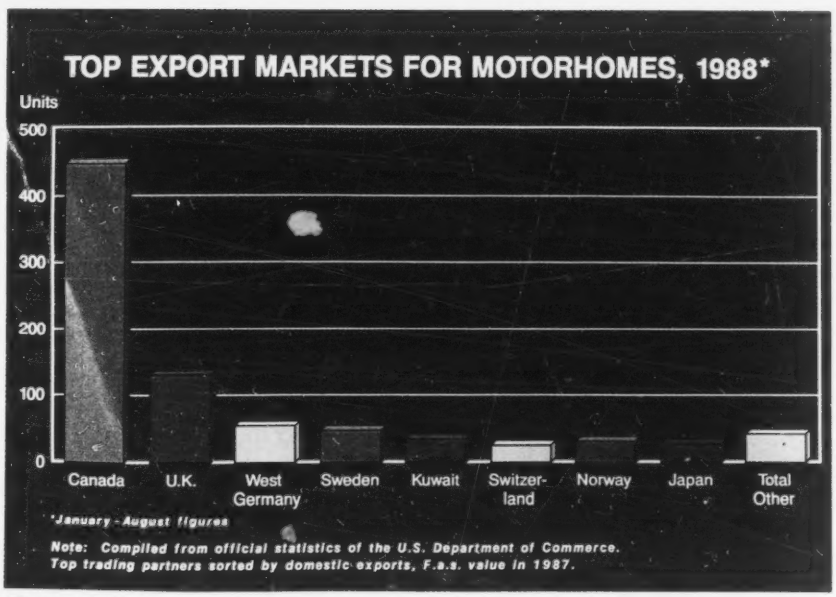

Figure 2

As European and Japanese economies grow, and trade barriers shrink, opportunities for RV exporters are expanding

Moving into the last decade of this century, the global picture has been changing profoundly and rapidly – and one of the spin-offs just may be a growth in overseas markets for U.S. RV products.

In the European theater, for example, we are witnessing the initial stage of an economic and political metamorphosis of one of the world's superpowers, the Soviet Union, and its former Eastern European vassals. This process will be equaled in importance by the emergence of the European Common Market as an economic reality in 1992. If these changes result in the expected expansion of the European consumer's buying power, U.S. RV exports can only benefit.

Another major region experiencing significant development is the Pacific Rim, with Japan as the undisputed economic leader. Now on the horizon is the long-awaited opening of the Japanese marketplace to foreign products, a process that is likely to boost RV sales there.

Closer to home is the impact of the U.S.-Canadian Free Trade Agreement, which was passed on Jan. 1, 1989. The agreement will gradually eliminate tariffs between the two neighboring countries over the next 10 years, meaning that tariffs on most RV products will decline at a rate of 10% per year. As a result, significant increases in U.S. RV exports to Canada are expected as early as 1994.

Of course, the trend of overseas market growth and increased free trade are bal-

anced somewhat by economic retrenching in previously strong overseas RV markets, such as the Middle Eastern oil exporters, and by new trade barriers in some previously favorable environments, such as the new excise taxes on van-conversion imports in Sweden. *(See "RV Firms Look Overseas" on page 24.)*

For an overview of current RV export markets and trends by RV type, see Figures 1 through 3.

In general, trade trends are positive, and many RV manufacturers already are responding to the changing times, including Winnebago Industries Inc., Forest City, Iowa, and Coachmen Industries Inc., Elkhart, Ind.

Speaking for Coachmen, Michaele "Mike" McIntosh, vice president of marketing services, sees foreign markets as "offering a lot of opportunities but also involving a lot of regulations. We have one dealer in England now. We're having serious discussions in Europe and Japan." And Coachmen has already gone on record about "concentrated efforts to open new dealerships" in Canada.

Winnebago, which until recently has exported only about 5% of its annual production total of 12,000-14,000 units, has struck a deal with Mitsubishi Corp. of Japan to market its motorhomes there and hopes to raise its export level to 10% of overall production.

Joining the growing RV-manufacturer interest in developing overseas trade is the Indiana Manufactured Housing Association/Recreation Vehicle Indiana Council (IMHA/RVIC), which is working with Indiana's Department of Commerce on trade initiatives aimed at showing foreign firms and trade delegations the opportunities offered by the large number of RV manufacturers located in Indiana.

New Initiatives With Japan

One recent coup in this effort is a precedent-setting, two-year trade pact between Indiana and Japan, the first such trade agreement between an American state and Japan's Ministry of International Trade & Industry (MITI). The agreement, which was to be finalized July 1, calls for the establishment of a trade-assistance office in Indianapolis, Ind., staffed by Japanese trade specialists, who will offer seminars, market research, financial advice and matchmaking help for buyers and sellers of Indiana-made goods.

The pact may be particularly good news for RV interests. "While this program will be available to all industries, there will be a very serious effort to target a few specific industries for direct participation. And the RV and van industries, based on my discussions with the state of Indiana, will be among the target industries," says Ron Breymier, executive director of RVIC, adding, "We in Indiana will be the pilot project for Japan, and there's pressure from the Japanese government to make this project a success."

Breymier also is unequivocally upbeat about other trade initiatives currently being implemented by his organization. "We're excited," he says, "and we've been extremely active during the past year in helping the RV manufacturers. We conducted a seminar on foreign trade, with 50 members in attendance, and we will have representatives from 14 foreign nations at the Midwest Manufactured Housing & RV Show in South Bend this year."

One by-product of last year's seminar was an extensive report on international business opportunities, which is available to RVIC members and to others for a small fee. Data from the report formed the basis of several of the figures featured with this article.

Meanwhile, Breymier himself has been working closely with the Japanese to forge business relationships with the Japanese External Trade Organization (JETRO). He attended the Sports & Leisure Show in Tokyo last winter, where he helped organize an exhibit promoting Indiana's RV and van-conversion manufacturers, with assistance from Indiana officials. Breymier reports that response was highly favorable and that he returned with 250 inquiries. He also participated in an export study mission to Tokyo and Kyoto, June 27-July 6, where he analyzed Japanese markets, studied how to conduct business effectively in Japan and held meetings with Japanese import and trading companies.

Already, RVIC has mailed out English- and Japanese-language brochures to Japanese companies interested in doing business with U.S. firms, adds Breymier. RVIC also has developed a database of 250 Japanese companies that have expressed interest in potential imports, which has already resulted in contact between Japanese companies and individual members of RVIC,

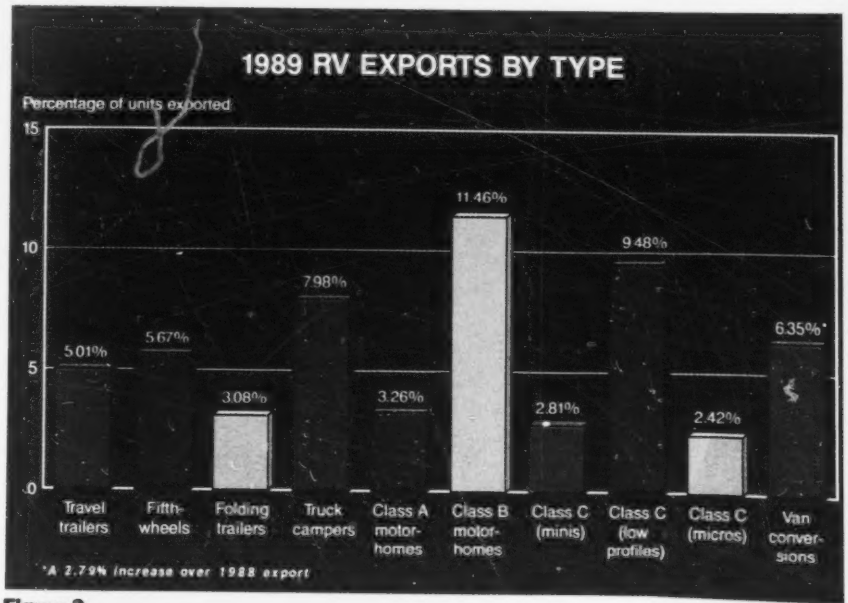

Figure 3

DATA COURTESY OF RVIA

GRAPHICS: CUSTOM COLOR VISUALS

EXPORT *continued*

the RVIC executive says.

Breymier explains that he is particularly hopeful of increased RV buying in Japan because the Japanese government is working on streamlining standards for imports and because Japan is undergoing key lifestyle changes. The Japanese work force is shifting from a six-day work week to a five-day week, and the Japanese government has proposed the establishment of a network of campgrounds to accommodate the demands of citizens with more leisure time. The goal is to build 100 campgrounds by the year 2000, all to be modeled after those in the United States, so that it will be easier for Japanese resorts to accommodate U.S.-style RVs.

With the showcase economy of Europe, West Germany looks the most attractive despite the competition from strong German producers of RVs.

Breymier visited a 400-member, Nissan Motors-owned campground south of Tokyo, and arranged for representatives from the Japan Park and Camping Association to attend the South Bend Show.

Concerning the Japanese push, Breymier concludes, "I see them making a genuine commitment to open up. Indiana is the first state to enter a trade agreement with them, and they are anxious to demonstrate that they do indeed want imports. JETRO has agreed to purchase 10,000 products and put them on display in major Japanese cities to encourage their consumers."

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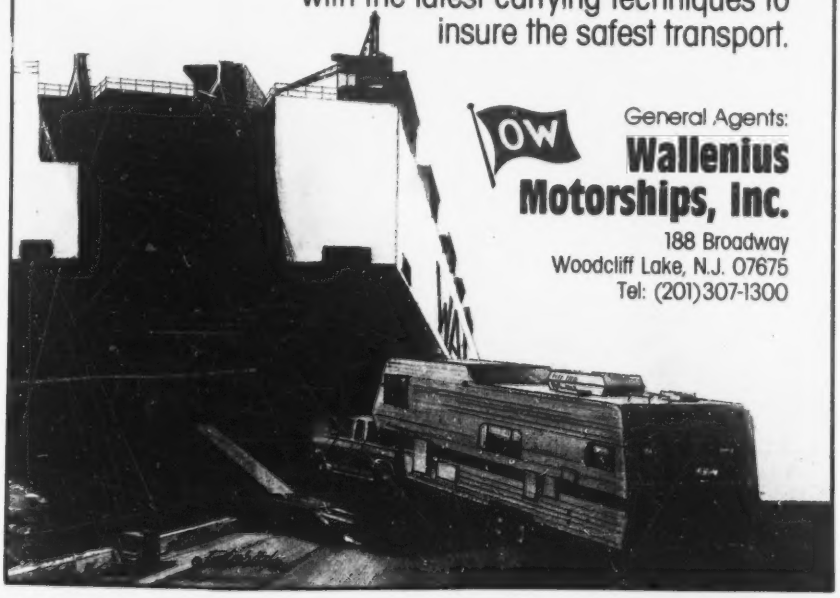

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Explore European Opportunities

That is not to say that RVIC is ignoring Western Europe. The focus is primarily on developing markets in West Germany – followed by Belgium, France, the Netherlands, England and Scandinavia.

With the showcase economy of Europe, West Germany looks the most attractive despite the competition from strong German producers of RVs. Thus, in March of this year, officials of RVIC and the Indiana Department of Commerce attended the Essen (West Germany) Camping and Touristik Trade Show, where they gathered data and promoted the upcoming Midwest Show in South Bend, Ind. The Indiana Department of Commerce maintains an office in the Netherlands, and RVIC has a German-language brochure to pique foreign prospects. RVIC and state officials are currently working with the city of Elkhart to research and update the feasibility of exporting van conversions and smaller RV types to Europe. They are also offering help to manufacturers not involved in overseas markets.

Breymier can list the numerous benefits of overseas sales to hesitant would-be exporters, including the ability of the manufacturer to improve economies of scales in production, marketing and distribution by spreading fixed costs over more products.

But even the most ardent export promoters agree that international marketing will require of RV makers more than their usual foresight. Environmental regulation, product standardization, higher costs and limits on petroleum usage, and other factors can play a greater role in other nations than in domestic markets. Planning ahead and maintaining a constant monitoring of changes under way in the international arena is crucial to success in exporting.

"It will take time and work to develop this kind of business," acknowledges Breymier, "but it is important for the long run. Few manufacturers will see immediate results. But if they stay in it, they will see long-term benefits." Δ